To: The Directors of the California Power Authority
From: Barbara George, Executive Director, Women's Energy Matters
Subject: Women's Energy Matters' Comment on *Clean Growth: Clean Energy for California's Economic Future,* California Power Authority's Draft Energy Resource Investment Plan

2/1/02

The Power Authority Can Offer Much-Needed Vision for California

Women's Energy Matters (WEM) appreciates the opportunity to comment on the California Power Authority's *Draft Energy Resource Investment Plan.* As we said in our public comment in Oakland, WEM believes your new agency is in a unique position to provide inspirational leadership and vision for Clean Energy, and we urge you to make the most of it.

WEM is deeply involved in energy efficiency programs, as the only intervenor in the current Public Utilities Commission review of utility energy efficiency programs of the past decade. WEM has also been a leader of the public power movement in the past year.

The problems of global warming, environmental racism in power plant siting, resource depletion, air and water pollution and nuclear waste give great significance to our actions in California right now. WEM is very pleased that the Draft Plan states the feasibility of meeting new demand with energy efficiency and renewables. We believe you could make that point even stronger.

Least-cost Energy Efficiency is Key

We understand that you are using conservative figures, but we believe the potential for energy efficiency is much greater than is reflected currently in the Plan. Mechanical energy efficiency is only part of the universe of possibilities. We hope the final plan will mention other conservation measures such as tree-planting, solar water heaters and low-tech solutions, for instance clotheslines. Using a clothesline just part of the time could save more energy than a brand new dryer, and for much lower cost.

It's important to get the most bang from our energy efficiency bucks, so that we'll have as much money as possible to invest in renewables. Getting financing for renewables has never been easy, and we need to stretch our dollars as far as we can. Everyone gains when energy efficiency programs are combined with renewable energy, and vice versa, as the Power Authority plans to do.

A Need for Review and Oversight

One concern we have is who is going to provide review and oversight for Power Authority programs? We can understand not being overly inquisitive about new programs, which are often messy at first, for fear of squelching creativity. Ty Cashman, who was in charge of the first wind programs in the 1970s, told us that the first couple of years were chaotic, but it all came together after a while.

However, the solar water heater programs had a less happy outcome. The lack of basic standards for product engineering and contractor licensing, combined with an absence of oversight spawned a bunch of slipshod, fly-by-night contractors that gave the technology itself a bad reputation in California, and contributed to the notion that subsidies, *per se,* are a mistake.

Could the Power Authority Provide Contract Administration for PUC Conservation Programs?

WEM would like to recommend that the Power Authority present itself as a potential contracting and oversight administrator for new, independent conservation programs that the Public Utilities Commission (CPUC) is currently setting up with 20% of the 2002-3 Public Goods funds ($100 million).

The Commission is in a jam, since it doesn't have contracting authority, while the Power Authority does have it. The CPUC hopes to get contracting authority through legislation, but while that's in the works it needs another entity to sign the contracts. For now, it is attempting to get the investor-owned-utilities to take on this role, but the IOUs are resisting, and threatening to go to Court to block the decision. The IOUs object strenuously on the basis that they will have to oversee contractors that they didn't choose, and they will have liability risks for these programs.

For their part, many potential grantees are loath to have the utilities involved in any way in their programs. The utilities have an historical antagonism towards independent EE programs, and as contract administrators, would have an ability to interfere in all sorts of ways.

Most independent program providers would welcome CPA as alternative contract administrators. The CPA's positive, can-do attitude towards EE, plus Director Freeman's 30-year track record of implementing innovative and effective conservation would make the CPA an ideal administrative entity. Unlike the CPUC, the CPA is set up to contract with and provide oversight for independent EE program providers. It seems like a natural.

Financing its additional administrative responsibilities would not be an issue, *since the CPUC is already telling grantees to set aside 5% of their budgets for* administrative costs. The programs themselves are fully funded from the Public Goods Charge on utility bills.

Having the Power Authority in such a role makes ultimate sense, because it is planning to fund additional EE programs. Involvement with the CPUC's programs would give CPA familiarity with which grantees are running good programs, what is already being done, and where the holes are that CPA could plug. If left as is, it will be terribly confusing for would-be energy efficiency customers to try to figure out whether to call the CPA or the CPUC or the utilities if they have questions about a particular program.

And finally, having CPA in this role would mean that there would be much needed "one-stop" synergy between all conservation and renewable energy programs at the State level. The legislature already recognizes that is much more cumbersome and expensive to have these programs administered separately — that's why CPA is authorized to do both.

This is why it makes more sense for the CPA to administer the CPUC's programs than, for instance, calling upon the Energy Commission (CEC). True, the CEC is involved with financing renewable energy programs, but it is not planning to administer conservation programs, unlike the CPA which has a clear mandate to do both.

CPA administration of CPUC programs offers opportunities for partnership among State agencies, similar to what the CPUC recommends that grantees seek with each other. The long-standing rivalry between the CPUC and the CEC may be too entrenched to overcome, while perhaps the CPUC and CPA could start off on a more cooperative footing that would provide much more benefit to ratepayers and taxpayers than an escalation of competition.

A Cautionary Tale from the 1970s

1975 was the year the California Energy Commission SHOULD have been set up as administrator of conservation programs, if the Warren-Alquist Act had been fully implemented. Instead, the CPUC moved aggressively (where the previous, Republican - controlled Commission had been passive before) to make utility-administration and CPUC oversight of conservation appear established and inevitable.

The infant agency, CEC, didn't put up a fight against the powerful CPUC for control of conservation programs.

Are there parallels today in the relationship between the CPA and CPUC? Is the existence of the Power Authority (AND the CEC) the real reason Commission President Lynch moved so speedily to set up new energy efficiency programs under "independent" administrators? We hope not.

But regardless of what the CPUC has in mind, Women's Energy Matters hopes the Power Authority will take action to bring about a different outcome this time.

WHO WILL BUY?

Will there be a perceived need for energy efficiency, or renewable energy, in California, if there is a glut of power?

The Plan asserts a need for energy reserves of up to 22%, but does not go into detail. Since this is higher than the 15% usually quoted, there is a need to back this up.

The problem is that financing is limited, whether public or private, and ratepayers' willingness to pay for extra excess capacity is limited. In a time of glut, generators and their allies will portray conservation and renewable energy as unnecessary sacrifice and frills. We'll be right back to the situation in the mid-80's, when the nuclear power glut wrecked the momentum for clean power.

It may be that in a deregulated world, there's a need for higher reserves, as insurance against price spikes. (We may, or may not, still be living in a deregulated world. The issue will be debated fiercely this year, all over the country — and the world, but in California, many expect the PUC to reinstate regulation very soon. WEM believes that the big debate in California will be whether the public interest is best served by public power or regulation.)

In any case, the *amount* of power reserves was not really the issue last year — the generators and marketers could just withhold more, and still cause shortages, as Doug Heller of Foundation for Taxpayers and Consumer Rights, argues in *HOAX.*

As CPA's Director has argued, the long-term contracts were a key factor in stopping the price spikes. The contracts were backed up by the State's willingness to smooth the way for a power plant construction boom, to provide some of the power sold in those contracts. But this is an important moment for the Power Authority to take leadership in spelling out the need to ditch a lot of the contracts and gas-fired power plants.

WEM appreciates that Director Freeman is sensitive about the issues of the contracts, but there are many face-saving solutions available. Even FERC now admits the contracts may be null and void because of fraudulent behavior by the generators.

Who better than the man who negotiated the contracts, to say that we don't really want to go there, we were coerced. What we really want is a clean energy future.

Women's Energy Matters thanks you for leading the way.